

**Union Community Action Association, Inc.
Farmerville, Louisiana**

Financial Statements

**As of and for the Years Ended June 30, 2007 and 2006
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/6/08

Union Community Action Association, Inc.
Farmerville, Louisiana

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10
Combining Schedules:	
Combining Schedule of Financial Position	11
Combining Schedule of Activities	12
Schedule of Expenditures of Federal Awards	13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14 – 15
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	16 – 17
Summary Schedule of Prior Audit Findings	18
Schedule of Findings and Questioned Costs	18 – 20
Schedule of Prior Audit Findings for Louisiana Legislative Auditor	21
Schedule of Current Audit Findings for Louisiana Legislative Auditor	22

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71117-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the accompanying statements of financial position of Union Community Action Association, Inc. as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Union Community Action Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

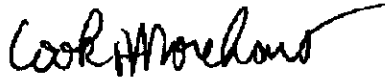
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Community Action Association, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of Union Community Action Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Union Community Action Association, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying supplemental schedules shown on pages 11 – 12 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook and Morehart
Certified Public Accountants
November 30, 2007

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Financial Position
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash	\$ 86,423	\$ 76,585
Certificates of deposit	112,427	130,936
Grant receivables	128,613	88,634
Other receivables	764	3,344
Other assets	3,649	3,678
Due from other funds	<u>122,018</u>	<u>103,762</u>
Total current assets	<u>453,894</u>	<u>406,939</u>
Property and equipment:		
Property and equipment	249,663	283,961
Accumulated depreciation	<u>(214,436)</u>	<u>(223,148)</u>
Net property and equipment	<u>35,227</u>	<u>60,815</u>
Total Assets	<u><u>\$ 489,121</u></u>	<u><u>\$ 467,754</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 35,506	\$ 42,873
Accrued liabilities	61,892	63,660
Refundable advances	37,161	
Due to other funds	<u>122,018</u>	<u>103,762</u>
Total current liabilities	<u>256,577</u>	<u>210,295</u>
Net assets:		
Unrestricted:		
Operating	197,317	196,644
Fixed assets	<u>35,227</u>	<u>60,815</u>
Total net assets	<u>232,544</u>	<u>257,459</u>
Total Liabilities and Net Assets	<u><u>\$ 489,121</u></u>	<u><u>\$ 467,754</u></u>

The accompanying notes are an integral part of the financial statements.

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Activities
For the Years Ended June 30, 2007 and 2006

	Unrestricted	
	2007	2006
Revenues and Other Support		
Contractual revenue - grants	\$ 1,537,251	\$ 1,911,882
Interest income	5,585	4,426
Miscellaneous revenues	948	2,069
Total revenues and other support	1,543,784	1,918,177
Expenses and Losses:		
Job training assistance	1,138,611	1,371,639
Migrant education	312,560	305,312
Community services	91,298	69,412
General services	26,230	187,066
Total expenses	1,568,699	1,933,429
Change in net assets	(24,915)	(15,252)
Net assets as of beginning of year	257,459	272,711
Net assets as of end of year	\$ 232,544	\$ 257,459

The accompanying notes are an integral part of the financial statements.

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ (5,910)	\$ (15,252)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,587	35,454
(Increase) decrease in operating assets:		
Grant receivables	(21,822)	118,970
Other receivables	2,580	(865)
Other assets	30	(1,130)
Increase (decrease) in operating liabilities:		
Accounts payable	(7,368)	(132,959)
Accrued liabilities	(1,768)	(4,811)
Refundable advances		(1,980)
Net cash used in operating activities	<u>(8,671)</u>	<u>(2,573)</u>
Investing Activities		
Payments for property and equipment	<u> </u>	<u>(22,939)</u>
Net cash used in investing activities	<u> </u>	<u>(22,939)</u>
Net decrease in cash and cash equivalents	(8,671)	(25,512)
Cash and cash equivalents as of beginning of year	<u>207,521</u>	<u>233,033</u>
Cash and cash equivalents as of end of year	<u>\$ 198,850</u>	<u>\$ 207,521</u>

The accompanying notes are an integral part of the financial statements.

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Union Community Action Association, Inc. (Union) is a private non-profit corporation incorporated under the laws of the State of Louisiana. Union is governed by a Board of Directors composed of 15 members. These board members receive no compensation for their services.

Union operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in Union parish in Louisiana. The following programs, shown with their approximate percentage of total revenues, are administered by Union:

WIA Adult Program (24%) – Prepares adults for participation in the labor force by increasing their occupational and educational skills. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Department of Labor.

WIA Youth Program (13%) – Improves the long-term employability of youth; enhances the educational, occupational, and citizenship skills of youth; encourages school completion or enrollment in alternative school programs; increases the employment and earnings of youth; and reduces welfare dependency. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Department of Labor.

WIA Dislocated Worker Program (19%) – Establishes an early readjustment capacity for dislocated workers by providing comprehensive coverage to workers regardless of the cause of dislocation; providing early referral from the unemployment insurance system to adjustment services as an integral part of the adjustment process; and fostering labor, management and community partnerships with government in addressing worker dislocation with an emphasis on retraining and reemployment services rather than income support. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Department of Labor.

Migrant Education (23%) – Provides assistance to establish or improve programs designed to meet the special educational needs of migratory children of migratory agricultural workers or migratory fishers. Funding is provided by federal funds passed through the Louisiana Department of Education.

Community Services Block Grant (6%) – Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Strategies to Empower People (Step) (6%) – Provide STEP clients with job readiness activities to facilitate their movement toward self-sufficiency through the use of a structured training and assessment program aimed at generalized job readiness skills. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Home Energy Assistance (2%) — Assists low income households offset the burden of high energy costs. Funding is provided by federal funds passed through the Louisiana Housing Finance Agency and the Louisiana Association of Community Action Partnerships, Inc.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

Emergency Program (1%) — Provides various types of assistance payments in areas of high need through out the community to persons based upon their employment or poverty status. Funding is provided by federal funds from the Federal Emergency Management Agency.

National Emergency Grant (6%) — Provide disaster related assistance to individuals impacted by Hurricanes Katrina and Rita. Funding is provided by federal funds passed through the Louisiana Department of Labor.

B. Basis of Accounting

The financial statements of Union have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

Union is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Union's tax-exempt purpose is subject to taxation as unrelated business income. Union had no such income for this audit period.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Union considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents, when there is no significant penalty for early withdrawal.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds there from is subject to federal regulations.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Union to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2007 and 2006, Union had no significant concentrations of credit risk in relation to grant receivables.

Union maintains cash balances at three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007 total cash balances held at financial institutions was \$243,285. Of this amount, \$211,851 was secured by FDIC, and \$31,424 was collateralized by pledged securities. At June 30, 2006 total cash balances held at financial institutions was \$298,783. Of this amount, \$200,000 was secured by FDIC and \$98,783 was collateralized by pledged securities.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2007 and 2006, but received after that date.

(4) Due To and Due From Other Funds

The following schedule represents amounts due to and due from other funds at June 30, 2007:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 116,591	\$ -
Job Training Assistance	-	120,462
Migrant Education	5,427	-
Community Services Block Grant	-	1,558
	<u>\$ 122,018</u>	<u>\$ 122,018</u>

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

The following schedule represents amounts due to and due from other funds at June 30, 2006:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 103,762	\$ -
Job Training Assistance	-	45,999
Migrant Education	-	55,431
Community Services Block Grant	-	2,332
	<u>\$ 103,762</u>	<u>\$ 103,762</u>
(5) Property and Equipment		

Property and equipment consisted of the following at June 30, 2007:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Furniture and equipment	5-10 years	\$ 126,809	\$ 43,565	\$ 170,374
Vehicles	5 years	59,985	19,304	79,289
Accumulated depreciation		(154,037)	(60,399)	(214,436)
Net investment in property and equipment		<u>\$ 32,757</u>	<u>\$ 2,470</u>	<u>\$ 35,227</u>

Depreciation expense for the year ended June 30, 2007 was \$25,587.

Property and equipment consisted of the following at June 30, 2006:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Furniture and equipment	5-10 years	\$ 141,712	\$ 43,565	\$ 185,277
Vehicles	5 years	79,380	19,304	98,684
Accumulated depreciation		(163,673)	(59,473)	(223,146)
Net investment in property and equipment		<u>\$ 57,419</u>	<u>\$ 3,396</u>	<u>\$ 60,815</u>

Depreciation expense for the year ended June 30, 2006 was \$35,454.

(6) Refundable Advances

Union records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

(7) Accrued Liabilities

Accrued liabilities at June 30, 2007 and 2006 consisted of the following:

	2007	2006
Accrued annual leave	\$ 56,651	\$ 52,357
Payroll liabilities	5,241	11,303
	<u>\$ 61,892</u>	<u>\$ 63,660</u>

(8) Contractual Revenue – Grants

During the years ended June 30, 2007 and 2006, Union received contractual revenue from federal and state grants in the amount of \$1,537,251 and \$1,911,682, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(9) Retirement Plan

Effective January 1, 2005, Union adopted a 401(k) Profit Sharing Plan. Union contributes 4% of the employees' compensation and the employees may contribute up to the maximum percentage allowable by law. The amount contributed by Union for the years ended June 30, 2007 and 2006 was \$19,562 and \$18,646, respectively.

(10) Leases

Union leases certain buildings and equipment under cancelable operating leases. Rental costs on those leases for the years ended June 30, 2007 and 2006 were \$23,936 and \$30,799, respectively.

(11) Contingency

Employees of Union are entitled to paid sick days, earned at the rate of one and one-half days per month of full time employment. It is reasonably possible but not certain that sick leave will be paid in the future; accordingly, no liability has been recorded in the accompanying financial statements. Union's policy is to recognize the costs of sick leave benefits when actually paid to employees. Upon an employee's resignation, lay-off, or death, no pay will be granted for any earned sick leave. Union estimates the liability for sick leave earned by employees but not yet taken as of June 30, 2007, to be approximately \$208,336.

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Financial Position
June 30, 2007

	Jobs Training Assistance	Migrant Education	Community Services	General Services	Total
Assets					
Current assets:					
Cash	\$ 26,933	\$ 14,153	\$	\$ 45,337	\$ 86,423
Certificates of Deposit				112,427	112,427
Grant receivables	126,968		1,645		128,613
Other receivables		5	9	750	764
Other assets				3,649	3,649
Due from other funds		5,427		116,591	122,018
Total current assets	<u>153,901</u>	<u>19,585</u>	<u>1,654</u>	<u>278,754</u>	<u>453,894</u>
Property and equipment:					
Property and equipment	168,705	17,058	1,032	62,868	249,663
Accumulated depreciation	(138,946)	(14,781)	(310)	(60,399)	(214,436)
Net property and equipment	<u>29,759</u>	<u>2,277</u>	<u>722</u>	<u>2,469</u>	<u>35,227</u>
Total Assets	<u>\$ 183,660</u>	<u>\$ 21,862</u>	<u>\$ 2,376</u>	<u>\$ 281,223</u>	<u>\$ 489,121</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 33,439	\$ 1,429	\$ 98	\$ 540	\$ 35,506
Accrued liabilities				61,892	61,892
Refundable advances		18,156		19,005	37,161
Due to other funds	120,462		1,556		122,018
Total current liabilities	<u>153,901</u>	<u>19,585</u>	<u>1,654</u>	<u>81,437</u>	<u>256,577</u>
Net assets:					
Unrestricted:					
Operating				197,317	197,317
Fixed assets	<u>29,759</u>	<u>2,277</u>	<u>722</u>	<u>2,469</u>	<u>35,227</u>
Total net assets	<u>29,759</u>	<u>2,277</u>	<u>722</u>	<u>199,786</u>	<u>232,544</u>
Total Liabilities and Net Assets	<u>\$ 183,660</u>	<u>\$ 21,862</u>	<u>\$ 2,376</u>	<u>\$ 281,223</u>	<u>\$ 489,121</u>

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Activities
For the Year Ended June 30, 2007

	Jobs Training Assistance	Migrant Education	Community Services	General Services	Total
Revenues and Other Support:					
Contractual revenue – grants	\$ 1,117,440	\$ 309,237	\$ 91,091	\$ 19,483	\$ 1,537,251
Interest income		39		5,546	5,585
Miscellaneous revenues				948	948
Total revenues and other support	1,117,440	309,276	91,091	25,977	1,543,784
Expenses and Losses:					
Salaries	548,472	123,047	57,762	2,202	729,483
Fringe benefits	116,251	12,743	18,742	95	147,831
Travel	7,238	40,005	983	329	48,555
Equipment	31,175	1,895	1,306	670	35,046
Occupancy	22,994				22,994
Telephone and postage	8,293	2,410	1,534	13	12,250
Supplies	16,043	9,370	950	738	27,101
Professional services	126,138	115,126	1,296	3,662	246,222
Insurance	8,693	3,022	6,786		18,501
Miscellaneous	16,170	1,858	1,640	4,880	24,348
Client assistance payments				12,715	12,715
Participant support services	217,973		93		218,066
Depreciation	21,171	3,284	206	928	25,587
Total expenses	1,138,611	312,560	91,298	26,230	1,568,699
Change in net assets	(21,171)	(3,284)	(207)	(253)	(24,915)
Net assets as of beginning of year	50,930	5,561	929	200,039	257,459
Net assets as of end of year	\$ 29,759	\$ 2,277	\$ 722	\$ 199,786	\$ 232,544

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through Louisiana Department of Labor		
Community Services Block Grant	93.569	\$ 91,091
Strategies to Empower People	93.558	98,778
Passed through Louisiana Housing Finance Agency		
Home Energy Assistance Program - Energy	93.566	3,554
Total U.S. Department of Health and Human Services		<u>193,423</u>
<u>U.S. Department of Homeland Security</u>		
Passed through United Way of America		
Emergency Food and Shelter Program	97.024	<u>12,184</u>
<u>U.S. Department of Education</u>		
Passed through Louisiana Department of Education		
Migrant Education	84.011	<u>309,276</u>
<u>U.S. Department of Labor</u>		
Passed through Louisiana Department of Labor:		
Workforce Investment Act:		
Adult Program	17.258	448,086
Youth Program	17.259	233,089
Dislocated Worker Program	17.260	254,444
Hurricane Katrina NEG	17.260	83,015
Total U.S. Department of Labor		<u>1,018,634</u>
Total federal expenditures		<u>\$ 1,533,497</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-0240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the financial statements of Union Community Action Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union Community Action Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Community Action Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Community Action Association, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Union Community Action Association, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Union Community Action Association, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Union Community Action Association, Inc.'s internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-B1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Union Community Action Association, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

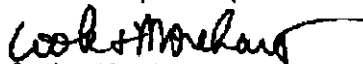
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Community Action Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management in a separate letter dated November 30, 2007.

Union Community Action Association, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Union Community Action Association, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
November 30, 2007

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71197 • P.O. BOX 75249 • SHREVEPORT, LOUISIANA 71137-8249

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

Compliance

We have audited the compliance of Union Community Action Association, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Union Community Action Association, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Union Community Action Association, Inc.'s management. Our responsibility is to express an opinion on Union Community Action Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union Community Action Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Union Community Action Association, Inc.'s compliance with those requirements.

As described in item 2007-C1 in the accompanying schedule of findings and questioned costs, Union Community Action Association did not comply with the requirements regarding reporting that are applicable to its WIA programs – Adult, Youth, and Dislocated Worker. Compliance with such requirements is necessary, in our opinion, for Union Community Action Association, Inc. to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Union Community Action Association, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Union Community Action Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Union Community Action Association, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing

our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union Community Action Association, Inc.'s internal control over compliance.

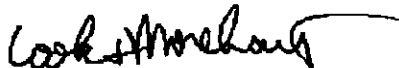
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program that such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Union Community Action Association, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Union Community Action Association, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
November 30, 2007

Union Community Action Association, Inc.
Farmerville, Louisiana

Summary Schedule of Prior Audit Findings
June 30, 2007

There were no findings or questioned costs related to federal awards programs for the audit for the year ended June 30, 2006.

Schedule of Findings and Questioned Costs
June 30, 2007

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Union Community Action Association, Inc.
2. One significant deficiency is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Union Community Action Association, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Union Community Action Association, Inc. expresses a qualified opinion for the WIA - Adult, Youth, and Dislocated Worker programs, and expresses an unqualified opinion for the Migrant program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: 1) Workforce Investment Act-cluster: (WIA Adult, Youth and Dislocated Worker Programs), CFDA #17.258, 17.259, and 17.260, 2) Migrant CFDA #84.011.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Union Community Action Association, Inc. qualified as a low-risk auditee.

B. Findings - Financial Statements Audit:

2007-B1 SIGNIFICANT DEFICIENCY

Deficiency: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2007
(Continued)

Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: Agency concurs with the finding.

C. Findings and Questioned Costs – Major Federal Award Programs Audit:

2007-C1 FINDING

Statement of Condition: The expenditure reports filed for the Workforce Investment Act (WIA) Cluster – Adult, Youth, and Dislocated Worker programs for July 1, 2006 through June 30, 2007, were not in agreement with or reconcilable to the expenditures per the agency's general ledgers.

Criteria: Total expenditures reported on the expenditure reports should be in agreement with or reconcilable to the agency's general ledgers.

Effect / Questioned Cost: A comparison of the expenditure reports filed by the agency for July 1, 2006 through June 30, 2007 with the agency's general ledgers for that time period is as follows:

Total expenditures per expenditure reports	\$ 956,133
Total expenditures per agency's general ledgers	<u>890,348</u>
Difference	<u>\$ 65,785</u>

Cause: The agency was utilizing the general ledger as the basis for preparing the reports. However, a manual correction was made in error, due to complexities of the agency's new accounting software program.

Recommendation: We recommend that the agency file amended expenditure reports which are in agreement with / reconcilable to the agency's general ledgers. We further recommend that supervisory personnel review monthly expenditure reports prior to submission to ensure reports are in agreement with / reconcilable to the agency's general ledgers.

Management Response: Agency concurs with the finding that WIA expenditures did not agree with the Agency's general ledger for the period July 1, 2006 through June 30, 2007. The response is in two parts.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2007
(Continued)

- 1) In July 2006, the Agency changed to a new accounting software system. In closing the prior accounting system, costs of \$32,249 were not reported on the expenditure reports for June 30, 2006. When contacted, the Louisiana Department of Labor did not allow the Agency to modify the June 2006 reports because the grants were two year grants and those costs could be reported with the July costs. These costs were reported in July 2006 creating a difference in the general ledger cost and the WIA reported costs.
- 2) During the processing of costs in the new accounting software system, an error was discovered when processing indirect cost allocations, requiring a correction to the system and the rerunning of several months. At this time, costs of \$33,536 were reported twice. These costs will be reduced during report year July 2007 through June 2008.

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
June 30, 2007

There was one reportable condition related to the agency's financial statements in the previous audit for the year ended June 30, 2006, as follows:

2006-B1 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the agency was not reconciling its quarterly 941 payroll tax reports to the general ledger. In addition, we noted that the payroll liabilities recorded on the agency's general ledger were not reconciled to actual liabilities on a timely basis.

Recommendation: We recommend that controls be established to ensure that the payroll tax reports are reconciled to the agency's general ledger on a timely basis. We also recommend that payroll liability accounts on the general ledger be reconciled on a monthly basis. In addition, we recommend that payroll tax reports and payroll liability accounts be reviewed for accuracy by qualified personnel.

Current Status: Improvement noted. See current year management letter comment.

There were four management letter comments in the previous audit for the year ended June 30, 2006, as follows:

(1) Check Signing Machine

Improvement noted. No comment in current year audit.

(2) Issuance of Checks

Improvement noted. No comment in current year audit.

(3) Financial Statements

See repeat comment in current year audit.

(4) Migrant Education Program Requests for Funds

Improvement noted. No comment in current year audit.

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
June 30, 2007

There are two findings for the current year audit period ended June 30, 2007, as reported in the accompanying schedule of findings and questioned costs. There are two management letter comments for the current year audit period. Management's response to those comments is as follows:

(1) Financial Statements

Agency concurs with the comment regarding preparation of budgetary financial statements. Agency has been studying this. The new system does have budget reports and the Agency plans to implement during the current audit period.

(2) Payroll Liabilities

Agency concurs with the comment and will review each liability and make appropriate adjustments.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

November 30, 2007

Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the financial statements of Union Community Action Association, Inc. (Union), for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. In planning and performing our audit of the financial statements of Union Community Action Association, Inc., we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Union. These comments have been discussed with the appropriate members of management.

(1) Financial Statements

During our audit, we noted that the agency is not currently preparing budgetary financial statements for use in reviewing the agency's operations and financial position.

We recommend that budgetary financial statements be prepared and reviewed on a monthly basis.

(2) Payroll Liabilities

During our audit, we noted that the payroll liabilities recorded on the agency's general ledger were not reconciled to actual liabilities on a timely basis.

We recommend that controls be established to ensure that payroll liability accounts on the general ledger are reconciled on a monthly basis.

We express sincere thanks to Union personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be used for any other purpose.



Cook & Morehart
Certified Public Accountants